Fiscal Note 2009 Biennium

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Bill #	SB0215		**Title:**	Revise property tax levy limit to adjust for inflation
Primary Sponsor:	Harrington, Dan		**Status:**	As Introduced

- [x] Significant Local Gov Impact
- [ ] Needs to be included in HB 2
- [ ] Technical Concerns
- [ ] Included in the Executive Budget
- [ ] Significant Long-Term Impacts
- [ ] Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Expenditures:				
General Fund	$0	$0	$0	$0
Revenue:				
General Fund	$0	$0	$0	$0
Net Impact-General Fund Balance	$0	$0	$0	$0

Description of fiscal Impact:

This bill eliminates the provision to use one-half the average 3-year inflation rate used by the state and local governments in calculating property tax mill levies. Thus, it allows the average 3-year inflation rate to be used in determining how much property tax can be levied before considering newly taxable property.

FISCAL ANALYSIS

Assumptions:

1. Section 1 of this bill eliminates from the mill levy calculation (15-10-420, MCA) the requirement that the average rate of inflation for the prior 3 years be reduced by half. This mill levy calculation is used by both state and local governments in setting property tax mill levies.
2. For local governments, this growth rate determines the maximum amount of property tax that can be raised from the total taxable value net of newly taxable property regardless of whether the maximum amount of mill levy capacity is used each year. Excluding school and countywide retirement levies, in tax year 2006, the combined amount of taxes levied by local governments was $386,554,220 under an allowable inflation adjustment of 1.424%. Under this bill, the allowable growth rate would have been 2.848%.
3. Under 15-10-420 (8), MCA, the state mills cannot exceed the number of mills specified in law. However, if the rate of property tax growth, before considering newly taxable property, is fast enough that the state

mill levies would allow the property tax levied to exceed the inflation rate allowed the state mill levies would be reduced. To date this has not occurred and it is assumed that it will not occur through FY 2011.

4. Since local governments would continue to have the discretion to levy less than the maximum amount allowed, the actual amount this will increase taxes levied by local governments is unknown; however, it is likely the taxes levied by local governments will increase above the rate of current law growth.
5. This bill would have no administrative impacts on the Department of Revenue.

Effect on County or Other Local Revenues or Expenditures:

1. Under this bill, local government revenues from property tax levies would likely grow at a rate above current law levels.

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Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*